

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7139

BILL NUMBER: HB 2078

DATE PREPARED: Dec 29, 1998

BILL AMENDED:

SUBJECT: Homestead credits.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

| STATE IMPACT | FY 1999 | FY 2000 | FY 2001 |
|-------------------------|---------|---------|---------------|
| State Revenues | | | |
| State Expenditures | | | 129,200,000 |
| Net Increase (Decrease) | | | (129,200,000) |

Summary of Legislation: This bill increases the percentage of the homestead credit to 15% beginning in 2002. (Under current law, the percentage of the homestead credit is 10% through 2001 and 4% in 2002 and thereafter.)

Effective Date: July 1, 1999.

Explanation of State Expenditures: In CY 1998, Homestead Credits (at 10%) amounted to about \$164.8 million. The cost of the current 4% credit in CY 2002 is estimated at \$93.9 million. An increase to 15% would bring the total cost in CY 2002 to about \$352.2 million.

The increase in homestead credits under this proposal is estimated at \$258.3 million in CY 2002. (The upcoming reassessment which is effective in CY 2002 and the return of the credit from 10% to 4% under current law explains the large increase in the cost of the 15% credit in CY 2002). On a fiscal year basis, the increase would amount to **\$129.2 million in FY 2002.**

Homestead Credits are paid from the Property Tax Replacement Fund (PTRF). In the event that the PTRF falls short, a transfer is made from the State General Fund to cover the difference. Since these transfers are needed each year to cover PTRF expenditures at current rates, the funding for this proposal will ultimately

come from the State General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: Local revenues would remain unchanged under this proposal. Net property tax bills for homeowners would be reduced by an additional 5% in CY 2000 and CY 2001 and by an additional 11% in CY 2002 and thereafter.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: County Auditors.

Information Sources: Local Government Database.